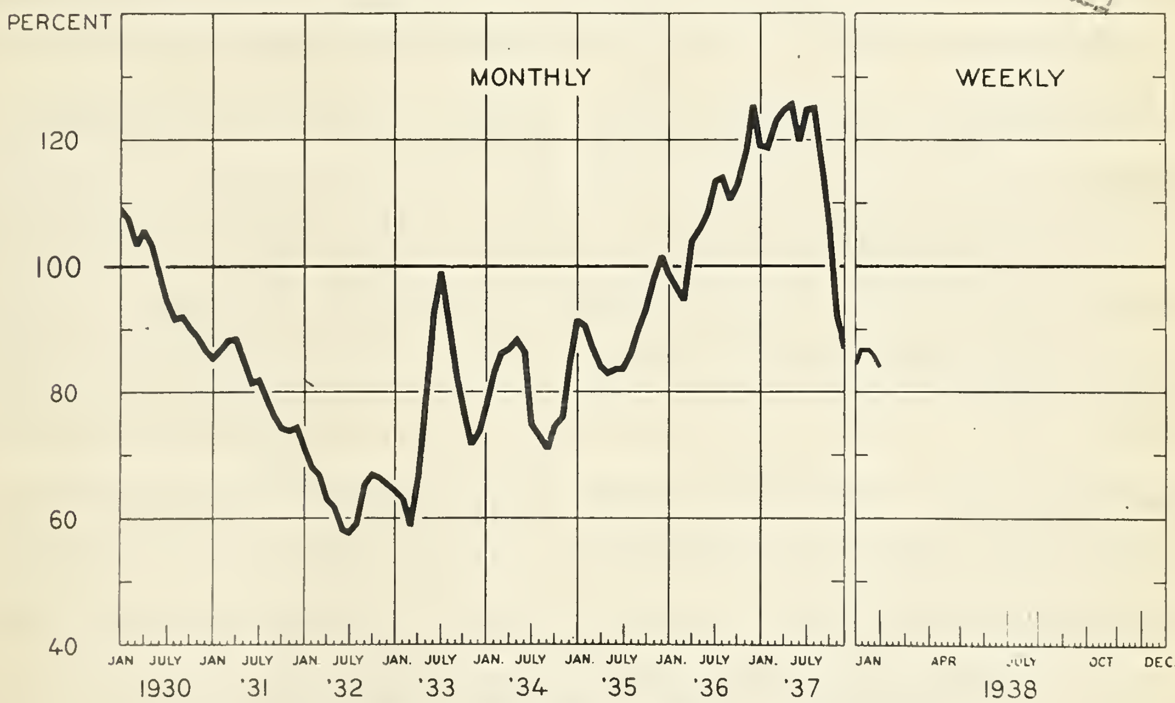
THE DEMAND AND PRICE SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C. FEBRUARY 1938

WEEKLY INDEX NUMBERS OF INDUSTRIAL ACTIVITY, UNITED STATES, 1930 TO DATE*

(1923-25=100) ADJUSTED FOR SEASONAL VARIATION



* DATA FROM BUREAU OF FOREIGN AND DOMESTIC COMMERCE; MONTHLY DATA ARE AVERAGES OF WEEKLY FIGURES

U.S. DEPARTMENT OF AGRICULTURE NEG. 34087 BUREAU OF AGRICULTURAL ECONOMICS

The Federal Reserve monthly index numbers of industrial production usually are taken to represent changes in industrial activity. For keeping up to date on current changes, a weekly index also is desirable. The weekly index numbers of industrial activity compiled by the Bureau of Foreign and Domestic Commerce, shown above, are closely correlated with the Federal Reserve index numbers of industrial production, and will be referred to from time to time in this report.

DOMESTIC DEMAND

Farmers now are interested in two phases of the 1938 demand outlook: (1) the situation during the remainder of the marketing season for last year's crops, and (2) during the second half of the year when much of this year's production will be sold.

The Demand and Price Situation for January reviewed the important factors in the outlook for the first of these two periods. It was indicated that some improvement in general industrial activity during the next few months could be expected, as buying for immediate needs follows the gradual depletion of inventories. Any pick-up which may occur, however, is not likely to be sufficient to bring about a material improvement in consumer demand.

Since the January report was issued, some additional facts have been added to the then available information on inventories and orders. It has become evident that in 1937 the inventories built up in the form of actual goods on hand and orders for future delivery were even greater than previously realized. While stocks of some goods appear to be well worked down, it is probable that present supplies plus goods still to be delivered on old orders remain quite large in some lines. Thus, pick-ups in certain industries will be accompanied by further adjustments in others, with the expected near-term recovery being correspondingly limited. The main point, however, is that the sharp downswing which occurred in the last 4 months of 1937 has been at least temporarily halted.

Whether or not the anticipated spring improvement in industrial activity proves to be the beginning of a general recovery in 1938, or another "false start" such as occurred in 1930, depends upon a number of circumstances which are difficult to evaluate. The consensus of business analysts, however,

seems to be that 1938 as a whole will witness some improvement, with the last quarter having the best prospects.

There are several reasons for this interpretation of the situation. Up to now, consumer expenditures and general retail trade have held up well, both absolutely and in relation to their behavior in other recessions. The level of consumption apparently is continuing much above recent production in many lines. Potential buyers who have been awaiting possible further price declines will come back into the market as price adjustments occur or as expectations of such adjustments diminish (this applies to such diverse items as steel, houses and textiles). Toward the latter part of the year, the effects of the program for stimulating building construction should begin to be felt. Changes which may occur in the new automobile models next fall, and some improvement by then in the used car situation, may lead to increased production schedules in that industry in the latter part of the year. Exports of industrial products have held up relatively well during this recession, and may act as a cushioning factor in several important industries.

During the several years prior to 1937, Government expenditures in relation to receipts provided an important stimulus to general business. An examination of budget figures and programs indicates some increase in the net contribution to purchasing power by the Government in future months as compared with the immediate past, when such contribution was at a low level in relation to preceding years. Recent legislation and other plans under discussion provide for Government cooperation designed to stimulate private spending to encourage business activity. For example, a little-publicized section of the new housing bill just passed provides for private loans to small business under conditions similar in many respects to the guaranteed loans for construction of houses.

Business analysts who are dubious about improvement in the business situation in 1938 point to the decline in business confidence and the related decrease in private spending for capital improvements, and to the unfavorable condition of the securities markets, which will prevent flotations of new securities in large volume for such purposes in time to become a significant stimulant to business this year. It is to be noted, however, that the large expenditures for capital improvements since 1933 have been financed in large measure by means other than new security issues. In 1937 the mining and industrial manufacturing industries of this country are reported to have spent for new machinery and plant construction as much as they did in 1928, and almost as much as in 1929. These large expenditures apparently were financed in considerable part by utilizing reserves built up during the years of depression when depreciation was being charged off without corresponding actual expenditures for replacement. If business stabilizes or shows signs of returning to an upward trend, it is quite possible that business spending for such purposes may show slight improvement toward the latter part of 1938 as compared with recent months, and at least need not be limited as much as the condition of the securities markets might indicate.

Another important reason for the pessimistic attitude of some analysts is the tendency for purchasing power and general spending to lag behind changes in industrial activity. Employers sometimes postpone drastic reductions of personnel until convinced the recession is more serious or enduring than at first appeared. The tendency for dividends and other payments to lag behind changes in operations and profits is well known. This leads some analysts to the conclusion that as the effects of the recession become more widely distributed among consumers, the "vicious spiral" started by the recession will continue to operate, with further increases in unemployment, and decreases in purchasing power and buying more than offsetting favorable developments such as in the inventory situation. The ease with which the spiral is broken depends partly on the intensity of the movement which has been generated, and partly upon the strength of factors working in the opposite direction. While now the influences working toward improvement are not very strong, the condition of industry generally is not such as to promote rapid acceleration of the "vicious spiral". Banks are sound, business indebtedness is low, prices in general are fairly well deflated as compared with the early months of other recessions, and unemployment does not affect purchasing power in the same way as in other recessions when relief measures were less adequate.

Despite these conflicting indications and interpretations, the balance of evidence seems to indicate that the recession will not turn into a severe depression, and points toward some irregular improvement from present levels of industrial activity during 1938. It is unlikely, however, that this tendency will produce any marked increase in the domestic demand for farm products in the remainder of this year.

FOREIGN DEMAND

The seasonally adjusted index of agricultural exports, at 84 percent of pre-war in December, continued the increase which began in July. The December figure is the highest since November 1935. The increase in exports, however, has been largely a reflection of changes in the supply situation both in this country and abroad. There has been no marked change in the demand situation in foreign countries.

The index of world industrial production, excluding the United States, continued to increase through November, the last month for which data are available. In some foreign countries which are important markets for American farm products, however, the hesitancy in business activity which was noticeable shortly after the recession in the United States began is gradually becoming more evident.

In England business activity has declined 3 percent since the 1937 peak in August and September, and the December index was only one point above that for December 1936. The decline in employment, particularly in agriculture, building, clothing, textiles and the metal trades, has been greater than would be expected seasonally. Building activity, considered an important factor in establishing and maintaining recovery in that country, declined from April to November, although it picked up slightly in December. From September through December raw material imports declined 25 percent in volume.

Industrial activity in Austria, Belgium, Holland, Switzerland, and the Scandinavian countries has remained approximately unchanged. In most of the South American countries and in the British Dominions industrial activity also appears to have slowed down, partly influenced by the persistent decline in prices of primary products. In Germany industrial production continued to rise throughout the latter half of 1937, declining in early January.

In France a considerable increase in unemployment occurred in December, following an upward spurt in industrial activity from the August low point through November. Industrial activity in France has had a general but irregular downward trend since 1930. The business recession has been influenced greatly by labor conditions, which have increased the cost of manufacture and caused much uncertainty among business men. Output per man hour in France has barely been maintained since 1930, in contrast to the trend in the United States which has been steadily upward, increasing nearly 25 percent from 1930 to 1936, with a slight reaction in 1937.

Industrial production in Canada, which usually follows closely activity in the United States, has held up surprisingly well. The Canadian index of industrial production was almost as high in December as at the high point of 1937. Employment in January declined less than the seasonal average.

WHOLESALE PRICES

The general level of wholesale prices declined moderately in the past 3 weeks, after a slight rise in the middle of January. The late January level at 80 percent of the 1926 average was 8 percent below the September high point and the lowest since August 1936. The general indications are for a more stable price situation in 1938 than in 1937.

The recent decline in the index of wholesale prices was largely the result of lower prices of farm products and foods. Prices of other groups combined have declined more moderately in recent weeks, with nearly all groups experiencing a slight but none a severe downturn.

The ratio of wholesale prices of farm products to wholesale prices of nonagricultural products for the week ended February 5 was 82 percent of the pre-war level, compared with 102 for the corresponding week last year.

The combined index of wholesale prices in the currencies of nine foreign countries which take about 80 percent of our agricultural exports was practically unchanged in December at 86 percent of the 1924-29 average. Prices in France in December resumed the upward trend which had been checked in October and November. The rise occurred entirely in prices of farm products and foodstuffs, with prices of meat and dairy products particularly high, reflecting reduced supplies because of the French epidemic of foot-and-mouth disease. Prices in Japan and Italy also have risen in recent weeks; prices in Germany have been steady. In other major foreign countries the recent trend has been downward, although the rate of decline has lessened appreciably.

The decline in world prices of raw materials during 1937 has aroused much concern. The accumulation of world stocks from 1929 to 1932 was accompanied by drastic declines in prices of primary products; from 1933 to 1937 with improved demand and the inauguration of restriction schemes, stocks showed a downward trend, and prices registered an upturn. Due largely to increased demand, partly speculative, prices rose rapidly from the middle of 1936 to March 1937. Thereafter, prices fell sharply as the industrial recession got under way in the United States and buyers in world markets showed stiff resistance to the previous advances. Since the summer of 1937 stocks of primary products have increased.

PRICES RECEIVED AND PAID BY FARMERS

The general level of prices received by farmers in mid-January was 102 percent of pre-war - the lowest January level in 4 years - compared with 104 in December and 131 in January 1937. The level of prices paid by farmers for commodities on January 15 is estimated at 126 percent of pre-war, the same as a month earlier, compared with 130 in January 1937. The ratio of prices received to prices paid by farmers declined to 81 in January compared with 83 in December and 101 a year earlier. The recent ratio is the lowest since July 1935.

Changes in market prices from mid-January to February indicate a slight decline in the level of prices received by farmers in the latter month. The outlook for the several commodities given in this report points to very little net change in farm prices from mid-February to mid-March.

FARM INCOME

Cash income from sales of farm products made about the usual seasonal decline from December to January and was about equal to the January 1937 income of $638,000,000. An accelerated movement of hogs to market in January, together with moderately heavy sales of grains and cotton, supported the January cash farm income.

Present and prospective demand conditions for farm products indicate that cash farm income during the first half of the year will make about the usual seasonal changes from month to month. Last year, however, in response to a relatively high price level that was well maintained during the first 6 months, cash farm income declined by much less than the usual amount from January through June. The seasonally adjusted index number of cash farm income rose from 70.5 percent of the 1924-29 average in February to 84.5 in June. For the first half of this year the adjusted index number of farm income may average about 70 percent (of the 1924-29 average) as compared with an average of 80 percent last year. This suggests a possible income from sales of farm products for the first half of this year of about $3,000,000,000 compared with $3,503,000,000 last year. The disparity between this year's and last year's income is likely to be more noticeable in the second quarter than in the first 3 months of the year.

WHEAT

Wheat prices in the next few weeks are expected to be influenced largely by European buying, crop conditions in the United States hard winter wheat States and general business sentiment. Wheat prices in February and March are usually seasonally lower than in January, influenced by heavy marketings of Argentine and Australian wheat. This year, however, the decline may not be as large as usual. Later, in the spring, when it is likely that decreased shipments from the Southern Hemisphere countries will be accompanied by increased takings from the United States, there may be a substantial rise in wheat prices.

Supplies of wheat remaining for export in Argentina on February 1 were between 40 and 45 million bushels less than the 5-year (1932-36) average of 128 million bushels, and world supplies this year, excluding Soviet Russia and China, are only about 50 million bushels more than the very small supplies in 1936-37. Moreover, world supplies of hard milling wheats outside of the United States are small. Under the circumstances, wheat prices in general, and hard milling wheat prices in particular, may be especially sensitive to export demand.

Wheat prices declined during the last half of January influenced by increased Southern Hemisphere shipments which reduced sales of United States wheat, and by slow domestic milling demand. During the first half of February, however, wheat prices regained a part of the decline, influenced by dust storms and low temperature in Kansas and Oklahoma and by the unsettled political situation abroad. The price of No. 2 Hard Winter at Kansas City declined from an average of $1.05 for the week ended January 15 to $1.01 for the week ended February 5, and then rose to $1.03 for the week ended February 12.

The Bureau continues to estimate exports and shipments of wheat and flour made from domestic wheat for the year beginning July 1, 1937, at about 90 million bushels. Exports from July through December amounted to about 40 million bushels. Stocks on January 1 are estimated at 534 million bushels, indicating a disappearance of about 400 million bushels during the first half of the marketing season. Disappearance for the 6 months from January through June is forecast at about 275 million bushels which would point to a total disappearance of approximately 675 million bushels. If exports amount to about 50 million bushels from January through June, this would indicate a carry-over on July 1, 1938, close to 200 million bushels. Stocks of this size would be larger than those of the past 3 years but much smaller than during the period 1930-34 when they averaged about 325 million bushels.

FLAXSEED

In late January the weekly average price of flaxseed at Minneapolis advanced to $2.18 per bushel, which was the highest level since early October. The margin between prices at Buenos Aires and Minneapolis has been comparatively stable since last December. For the week ended February 5 this margin was 83 cents per bushel, which compares with 104 cents at this time last year and 81 cents for the February 1933-37 average. While increased supplies from the Argentine crop may cause some recession in both foreign and domestic prices, this crop is considerably below average, and if world demand continues favorable prices will probably remain near present levels during the next few months.

The unusually small domestic supplies of flaxseed for the 1937-38 marketing year have resulted in rather heavy importations of flaxseed since July. From July through December, imports of flaxseed totaled over 10 million bushels, the largest for this period since 1926. Although stocks of linseed oil on January 1 were considerably larger than in other recent years, supplies of flaxseed were at a low level.

CORN AND OTHER FEED GRAINS

Cash corn prices declined slightly during the last half of January and early February, while oats and barley prices remained practically unchanged. Prices of all feed grains are expected to continue near present levels for at least another month or two. Large supplies per animal will tend to limit any increases, and the corn loan will tend to limit declines. Prior to February 1 loans had been made on only about 37 million bushels of corn or less than 2 percent of the crop. Corn prices at country points are again near the loan rate and any further recession may be expected to result in more corn coming under the loan. The price of better grades of barley improved somewhat during the past month, and if demand from breweries continues favorable, as it has in the past few months, a relatively high level of barley prices may be expected to continue.

Receipts of corn from November through January were much larger than those in the same period of any of the past 8 years. Commercial stocks of corn have increased sharply since the harvesting of the new crop; early in February they exceeded 40 million bushels, and were larger than at any time during the past 3 years. The rate of exportation has been increasing since the beginning of the marketing year. Total exports of corn for the period from October through the first week in February are estimated at around 17 million bushels, the largest for this period since 1928-29.

COTTON

Domestic cotton prices were comparatively steady during the 4 weeks ended February 5, the average daily price of Middling 7/8 inch cotton in the 10 designated markets fluctuating between 8.45 and 8.67 cents per pound. During the second week of February, however, the average price in these markets varied between 8.63 and 9.01 cents. Developments pertaining to cotton mill activity and cotton textile sales continued unfavorable, although they were probably about as had previously been anticipated. The situation with respect to the current season's supply of raw cotton remained about unchanged, but the farm legislation just passed by Congress indicates a somewhat greater reduction in the 1938 domestic acreage than the tentative goal announced last fall.

Except for the second week of January, when manufacturers' sales of cotton goods were reported as exceptionally large, new orders placed by domestic mills apparently continued considerably below the restricted output in each of the past 6 weeks. In Europe sales of cotton goods by manufacturers also were reported below production in most countries other than Germany, Italy and Poland where output has been restricted for many months by raw material shortages. Indian mills continued to run at record-breaking rates since early January perhaps at least partly at the expense of Japanese mills. In China, cotton mill activity increased somewhat.

During the first 5 months of the season the world mill consumption of all cotton was estimated by the New York Cotton Exchange Service to have been 5 percent less than a year earlier. Should the remainder of the season show the same comparison with last season and the estimates of the commercial production remain unchanged, the estimated world carry-over of all cotton on August 1 next would be nearly 8 million bales (American in running bales and foreign in bales of 478 pounds net) larger than a year earlier.

Should the 1938 domestic crop be restricted to about 11 million bales this increase in carry-over would be almost offset by the reduction in the United States crop. In this event any reduction in the 1938-39 foreign crop of commercial cotton would give a smaller world supply of commercial cotton next season than the record supply of the current (1937-38) season. Under these circumstances and unless some of the Government financed stocks are sold before August 1, 1939, the 1938-39 world supply of so called "free" American cotton would be the smallest, with the exception of 1934-35 and 1935-36, since 1923-24.

WOOL

Wool prices both in the United States and in foreign markets in the first half of 1938 will be affected by large supplies of raw wool, with no immediate prospect for recovery in mill consumption. Since stocks of wool in this country are now much larger than a year earlier, and with consumption in the next 3 or 4 months expected to be considerably smaller than in 1937, stocks about April 1, when the new domestic clip becomes available, probably will be materially larger than a year earlier. The increase in stocks at the beginning of April over a year earlier, however, may be less than the increase on January 1 because imports of wool in early 1938 will be much smaller than the large imports in early 1937.

Mill consumption of apparel wool, in the United States in December was more than 60 percent smaller than in December 1936 and was the smallest December consumption since 1920. Because of the large consumption in the early months of the year, consumption on a scoured basis, for the year 1937 was only 11 percent smaller than in 1936 and 18 percent smaller than in 1935.

Although United States imports of apparel wool for consumption, amounting to 150 million pounds in 1937, were the largest since 1926, most of the 1937 imports entered this country in the early months of the year. Since last May imports have declined sharply and in November and December they were about 70 percent smaller than a year earlier.

The improvement reported in foreign wool markets in December was not maintained in January and trading in the domestic market was light. The failure of domestic mills to resume buying in January even at the moderate rate of December and the weakness of prices in foreign markets, was accompanied by small declines in domestic wool prices in the second half of the month.

LAMBS

Although prices of slaughter lambs usually advance seasonally during the fed-lamb marketing season (December through April), prices so far in the 1937-38 season have declined. And it is doubtful if much advance will be made in the next 2 months when slaughter supplies probably will be larger than a year earlier, and consumer demand for meats as well as prices of pelts and wool, probably will average lower than a year earlier. The number of sheep and lambs on feed January 1 was 11 percent larger than at the beginning of 1937 and was the second largest on record. Marketings of fed lambs during the remainder of the present fed-lamb season (through April) probably will be considerably larger than a year earlier, but this increase may be partly offset by smaller marketings of Texas grass-fat yearlings in March and April. In California, prospects for early lambs in December and January were very favorable, and it is probable that the early lamb crop in that State is materially larger than the small crop of last year. Conditions also have been favorable for the early lamb crop in Arizona.

During December and January prices of slaughter lambs declined sharply, reflecting increased market supplies of sheep and lambs, decreased consumer demand for meats, and lower prices of pelts and wool. Prices of good and choice slaughter lambs at Chicago in the first week of February averaged $7.25 per 100 pounds, nearly $2 lower than in early December and about $3 lower than a year earlier. Prices of good and choice feeder lambs at Omaha declined more than $1 during December and January, and in early February were nearly $2 lower than a year earlier.

Marketings of sheep and lambs in January apparently included a larger-than-usual proportion of western fed lambs. Shipments of lambs from the principal feeding areas in the Western States and from the Scottsbluff feeding area in Nebraska for the 4 weeks ended January 29, totaling 1,233 cars, were nearly 45 percent larger than in the corresponding period a year earlier, but were slightly smaller than 2 years earlier. The number of sheep and lambs slaughtered under Federal inspection in January, totaling 1,552,000 head, was 11 percent larger than a month earlier, but was 9 percent smaller than in January 1937.

HOGS

Some further strengthening in hog prices within the next 2 months appears probable in view of the expected seasonal reduction in slaughter supplies and the present relatively small storage stocks of pork and lard. But if consumer demand for hog products continues weak, prices of hogs probably will decline in the late spring and early summer, when marketings of fall pigs get under way in large volume. For the entire summer season, May-September 1938, hog prices probably will average considerably lower than the high prices of last summer, since larger marketings are expected and consumer demand will be less favorable than a year earlier.

After declining sharply from mid-August through November, hog prices steadied somewhat during December and the first half of January. In late January and early February prices advanced moderately. The top price of hogs for the second week of February was $9 almost $1 higher than in mid-December. The spread between prices of heavy hogs and prices of light hogs continued

unusually wide, largely reflecting the increasing proportion of heavy hogs in market supplies. The average weight of hogs at the seven leading markets in January was more than 20 pounds heavier than a year earlier. Much larger feed supplies and the favorable relation between hog prices and corn prices have been largely responsible for heavier weights.

The steady to higher prices in January and early February were accompanied by the largest slaughter supplies for the winter season and for the present marketing year. This probably reflects some improvement in the storage demand for hog products, which had been rather weak in November and December. Inspected hog slaughter, totaling 4,201,000 head in January, was the largest for any month since December 1936. Storage holdings of pork and lard increased seasonally in January, but on February 1, they were materially smaller than those of a year earlier.

BEEF CATTLE

Unless further weakness in consumer demand for meats develops, it appears that prices of the better grades of slaughter cattle may not decline much further in the next few months, despite the prospects for increased supplies of such cattle in the spring and summer. The number of cattle on feed for market in the Corn Belt States on January 1 was about 15 percent larger than the small number on feed in that area a year earlier. Prices of the lower grades of steers and of slaughter cows are not expected to change greatly during the spring months, although they usually advance during this period. Supplies of such cattle will be reduced seasonally during the first half of the year, and probably will be smaller than a year earlier. Weakness in consumer demand for meats, however, may about offset the effect of reduced supplies on prices of such cattle.

In the first week of February, prices of choice and prime grade slaughter steers at Chicago, averaging about $8.50 per 100 pounds, were more than $9 lower than the unusually high level of late October, nearly $5 lower than a year earlier, and about the same as the low point in prices of such cattle reached in the spring of 1936. Prices of the lower grades of slaughter steers in early February were somewhat lower than those in late December and in February last year. Prices of slaughter heifers and cows, on the other hand, showed little change during January. Unlike prices of most other kinds of cattle, prices of slaughter cows in early February averaged about the same as a year earlier.

Slaughter supplies of well-finished, grain-fed cattle continued small in January, but supplies of short-fed steers increased. Supplies of slaughter cows and heifers were relatively small compared with those of recent months. The number of cattle slaughtered under Federal inspection in January, totaling 830,000 head, was 3 percent smaller than a month earlier and 4 percent smaller than a year earlier. Inspected calf slaughter in January, totaling 420,000 head, was 7 percent smaller than a month earlier and 13 percent smaller than a year earlier.

BUTTER

Butter prices declined sharply from mid-December to mid-January, and more gradually since then. The price of 92-score butter at New York in January averaged 5.2 cents less than in December but only a half cent less than in January 1937. The decline in prices during the first half of 1938 will probably be more than the usual seasonal decline.

The price of butterfat is relatively high compared with feeds, and with relatively large supplies of feed per animal unit milk cows will probably be fed fairly liberally during the remainder of the feeding period.

Butter production in December was slightly higher than a year earlier. This is in contrast to the situation in September, October and November when production was decidedly less than in the same period of 1936. During the first half of 1938, butter production will probably be considerably larger than in the same period of the preceding year. This increase in production together with the decline in employment and payrolls will depress prices.

Apparent consumption of butter in December was 2.4 percent less than a year earlier and the lowest for the month since 1929. Retail prices, however, were nearly 14 percent higher than in December 1936. These changes indicate that consumer expenditures for butter were about 11 percent higher than a year earlier and the highest for the month since 1929. It is not expected, however, that this relatively high level will continue during the first half of 1938.

POULTRY AND EGGS

An outstanding factor in the current poultry and egg situation is the small flock size with which farmers have started out the new year. The effect of this situation on egg prices is at present offset by lower consumer incomes than in 1937, by large holdings of frozen eggs, by a high rate of egg production per bird, and by the completion of a very unprofitable storage year. Hence, the outlook until mid-spring is for egg prices below those of 1937. During the remainder of the year, reduced production resulting from the smaller flock size is likely to bring a gradual price advance above the corresponding prices of 1937.

The more favorable feed-egg price conditions this year will tend to stimulate hatchings above those of 1937. The outlook, therefore, is for lower chicken prices in the last half of the year than in 1937. During the next few months, however, low poultry supplies, both on the farm and in storage, will tend to keep chicken prices above those in the first half of 1937. But the non-seasonal advance of last fall may prevent a full seasonal advance this spring.

APPLES

Apple prices in terminal markets have remained very steady during the past month at levels reached in mid-January, and the downward trends which have occurred in western apple prices since mid-October and in eastern apple prices since late December have leveled out. Whereas the usual seasonal movement of apple prices is steadily upward from October or November to the end of the marketing season, it is not unusual in years of extremely heavy supplies for prices to decline materially after October. This is particularly to be expected in a season, like the present one, where the price-depressing effect of unusually large supplies of apples is accentuated by declining consumer purchasing power. During the 1931-32 season, which was also characterized by heavy supplies and decreasing demand, prices of eastern apples averaged lowest for the season in December and prices of western apples averaged lowest in January.

Stocks of apples in cold storage on February 1, 1938, totaled 26 million bushels, the largest February 1 stocks on record, exceeding those of a year earlier by 50 percent and the 1927-36 average by 28 percent. Cold storage stocks in the western States are nearly a fifth larger than on February 1, 1937, but slightly below average. In the eastern and central States, however, cold storage holdings on February 1 were the largest on record. The total exports of apples from the United States for the current season through December amounted to 5.3 million bushels - a fourth larger than exports during the same period of the 1936-37 season, but much smaller than those in recent years of large crops.

POTATOES

Prices of old potatoes at market centers continued to hold to a stable level during the past month. Prices of new potatoes declined to the lowest level for the season to date, as the volume of shipments increased from Florida and Texas.

Stocks of old potatoes in warehouses as of January 1 totaled 109 million bushels, or about 23 million more than what was available a year earlier and about 11 million bushels more than the average stocks for the period 1929-33. In the 8 eastern late States January 1 stocks totaled 46,068,000 bushels this year, compared with 39,696,000 on January 1, 1937; in the 10 central States, 30,204,000 compared with 21,780,000; in the 12 western States 30,850,000 against 23,928,000, and in the 7 intermediate States 1,814,000 bushels compared with 834,000 bushels last season. These stocks, together with an early crop no larger than that of last year, would indicate supplies of all potatoes for the first half of 1938 about one-fifth larger than a year ago.

Early January reports indicate that growers in the early, second-early, and intermediate States as a whole intend to decrease the commercial acreage planted to potatoes for 1938 about 6 percent below the acreage harvested in 1937. Growers in Florida, Texas, and California plan increases of 4, 25, and 11 percent, respectively, while those in most other States plan decreases of acreage. If these intentions are carried out, the commercial acreage in the first section of early States probably will be increased 11 percent, while that in the second section of early States will be decreased about 6 percent. The acreage in the second-early States probably will be decreased 17 percent and that in the intermediate States 6 percent below that harvested last season. Although the acreage in the first section of early States probably will be increased this year, average yields would result in a crop slightly smaller than was produced last year. The crop in the second section of the early States, however, probably would be about as large as in 1937, but in the other areas it would be somewhat smaller.

TRUCK CROPS

Truck crop prospects continued generally good in February. The total acreage of 16 truck crops in all the early producing sections of the United States is reported to be slightly larger than that of last year and about one-third larger than the average for 1928-32. Wholesale market prices of many vegetables declined during late January and early February. Higher prices were reported for snap beans, western broccoli, old-crop cabbage, cucumbers, onions, tomatoes, and turnips.

The January 1 stocks of northern-grown cabbage in storage on farms or in the hands of local dealers were the smallest in the 10 years for which records are available. Slightly less than 30,000 tons were still stored on that date, compared with 49,500 tons on January 1, 1937, and with a 5-year average (1933-37) of 66,950 tons. From January 1 to February 5 approximately 1,200 cars, or 15,000 tons, were shipped to market, leaving only about 15,000 tons of old-crop cabbage available after February 5. Market prices of old-crop cabbage continued to advance, and shipments during early February showed some increase. Prices of new stock from the South and Southwest declined slightly in the first week of February. About 2 cars of new stock were being shipped for each car of old stock.

Onions still in growers' and dealers' hands on January 1 were estimated at 2,935,000 sacks of 100 pounds each, or 20 percent less than holdings on January 1, 1937, from the late crop of 1936. Supplies at the beginning of 1938 were the smallest on that date since 1935. About 3,300 cars (825,000 sacks) were shipped between January 1 and February 5. This total deducted from the January 1 stocks would leave slightly over 2 million sacks still available on February 5. Market prices of old-crop onions advanced sharply in the late winter and early spring of 1935; with stocks this season about the same as in 1935, a similar price trend is noticed. The average wholesale price in New York and Chicago on February 5 was around $1.40 per 50-pound sack of yellow varieties, or the equivalent of $2.80 per 100 pounds. These attractive prices drew 525 cars of onions from storage during the first week of February, but shipments still were one-third smaller than during the same period last season. The plantings of early onions in the South, particularly in southern Texas, have been increased over those of last year, but harvesting will probably start later than usual.

Freezing temperatures in Florida during late January did some damage to tender vegetables, and may delay shipments somewhat. About 2,000 acres of muckland peas and snap beans were reported lost. Supplies of these early vegetables may be slightly reduced, but the main effect of the freeze will be to delay the shipments. Recent movement of Florida snap beans and green peas has been rather light, but output of celery and tomatoes has become quite large. Florida now is shipping each week more than twice as much celery as California. The weekly receipts of tomatoes from Cuba and Mexico still exceed by far the shipments of tomatoes from Florida. California was shipping increasing quantities of carrots, cauliflower, and green peas during early February, and the movement of spinach from southern Texas was active. Lettuce shipments from Imperial Valley of California were very heavy, and Arizona was still shipping a considerable quantity of lettuce.

Business statistics relating to the demand for farm products, specified periods

Year and month	National income 1/	Nonagricultural income 2/	Industrial production 3/	Building contracts awarded 3/	Factory employment 4/	Income of industrial workers 5/	Foreign industrial production 6/	All commodity prices 7/	Retail food prices 8/	Prices received by farmers 9/	Prices paid by farmers 10/	Ratio of prices received to prices paid
Base period-	1929	1924-29	1923-25	1923-25	1923-25	1924-29	1923-25	1910-14	1913	1910-14	1910-14	1910-14
1929	100	107	119	117	105	106	136	139	166	146	153	95
1930	93	100	96	92	91	87	124	126	158	126	145	87
1931	78	86	81	63	77	67	111	107	130	87	124	70
1932	62	68	64	28	66	46	97	95	108	65	107	61
1933	57	63	76	25	72	48	107	96	105	70	109	64
1934	64	72	79	32	82	60	116	109	117	90	123	73
1935	68	77	90	37	86	67	124	117	127	108	125	86
1936	76	87	105	55	92	77	134	118	130	114	124	92
Oct.		90	110	57	97	81	137	119	131	121	127	95
Nov.		93	114	58	97	84	138	120	131	120	127	94
Dec.		101	121	66	98	87	139	123	131	126	128	98
1937												
Jan.		93	114	63	96	87	138	125	134	131	130	101
Feb.		94	116	62	99	88	141	126	134	127	132	96
Mar.		95	118	56	101	91	143	128	135	128	132	97
Apr.		96	118	53	102	94	145	128	136	130	134	97
May		97	118	56	102	95	147	128	137	128	134	96
June		97	114	61	101	94	146	127	137	124	134	93
July		98	114	68	101	95	141	128	136	125	133	94
Aug.		98	117	63	102	95	142	128	135	123	132	93
Sept.		97	111	56	102	92	147	128	136	118	130	91
Oct.		96	103	52	101	90	148	125	135	112	128	88
Nov. 11/		95	89	56	95	83	149	122	132	107	127	84
Dec. 11/		98	84	66	88	76		119	131	104	126	83
1938												
Jan. 11/								118	127	102	126	81

Continued -

Business statistics relating to the demand for farm products, specified periods - Continued

NOTES:

1/Department of Commerce index of "national income paid out", 1929 = 100. Comprises the payments to or receipts by individuals in the form of wages, salaries, interest, dividends, entrepreneurial withdrawals, and net rents and royalties for these services.
2/Industrial Relations Division of the Agricultural Adjustment Administration, 1924-29 = 100, adjusted for seasonal variation. Entire series was revised in July 1937.
3/Federal Reserve Board index, 1923-25 = 100, adjusted for seasonal variation.
4/Bureau of Labor Statistics index, 1923-25 = 100, without seasonal adjustment.
5/Bureau of Agricultural Economics, 1924-29 = 100, adjusted for seasonal variation. Includes factory workers, railroad and mining employees.
6/Bureau of Agricultural Economics, 1923-25 = 100, adjusted for seasonal variation. Weighted average of index numbers of industrial production for nine foreign countries - United Kingdom, France, Germany, Italy, Japan, Canada, Belgium, Czechoslovakia, and Poland. Series was revised from January 1920 through July 1935 in July 1937 - and from August 1935 through August 1937 in November 1937.
7/Bureau of Labor Statistics index, 1910-14 = 100, without seasonal adjustment.
8/Bureau of Labor Statistics index, 1913 = 100.
9/Bureau of Agricultural Economics, August 1909-July 1914 = 100.
10/Bureau of Agricultural Economics, 1910-14 = 100.
11/Preliminary.